



One Riverfront Plaza

1037 Raymond Blvd, Suite 600
Newark, NJ 07102

T: 973.757.1100
F: 973.757.1090

WALSH.LAW

Stephen V. Falanga
Direct Dial: (973) 757-1107
sfalanga@walsh.law

June 19, 2019

VIA ECF

Honorable Vincent F. Papalia, U.S.B.J.
United States Bankruptcy Court
District of New Jersey
Martin Luther King Jr. Federal Building
50 Walnut Street
Newark, NJ 07102

**Re: In re Neighborhood Health Services Corporation
Case No. 15-10277-VFP**

Dear Judge Papalia:

In advance of the status conference scheduled for Thursday, June 20, 2019, in my capacity as the Chapter 11 Trustee of the estate of the above-referenced debtor, Neighborhood Health Services Corporation (the "Debtor" or the "Center"), I hereby provide the following status report of the case and of my efforts to help the Debtor emerge from bankruptcy.

Plan and Disclosure Statement

For various reasons set forth herein, we elected not to file the Plan and Disclosure Statement as contemplated at the time of last status conference. However, we continue to press ahead as reported at the last status conference and intend to file the Plan and Disclosure in the next few weeks. We have been in regular communication with HCFFA regarding our efforts throughout the process, and do not expect that HCFAA will seek to enforce the deadlines initially set forth in the financing order at this time. I have also been engaged in discussions with various creditor constituencies regarding the prospective Plan.

Current Management/Employment

One reason we did not file the Plan when expected is due to additional management changes. As of early last month, the Center's former Chief Medical Officer, Dr. Kerri Powell, assumed the position of Chief Executive Officer of the Center and has been working with James Campbell of Huron Consulting Group to transition to her new role. Huron's, and therefore Mr. Campbell's, engagement will terminate at the end of this month.

Also at the end of this month, the Center will outsource its maintenance and security functions, which should yield long-term operational and economic efficiencies. We have also hired a new Chief Operating Officer, John Bone, who officially started this week. Mr. Williams remains employed at the Center and will be assisting Mr. Bone with transitioning to his new role. Additional efforts are underway, including more changes to the management structure and employment positions designed to further streamline operations to assist the Center's emergence from bankruptcy.

340B Program

The 340B program has begun to generate significant revenue. We are pleased to report that by the end of this month, the Center will have received approximately \$90,000 through the program, a portion of which is attributable to the "look back" period. Because we are relying upon this revenue to fund the Plan, we should have a greater understanding of the what is likely to be the average monthly revenue that can be used to support Plan payments.

Sale Efforts

AuctionAdvisors continues its marketing efforts to sell the Debtor's real property in Plainfield and procure a lease-back of the building. We have received interest from three potential purchasers, two of whom we continue to negotiate with. I continue to pursue all avenues for a possible sale/lease back of the Debtor's building as a possible means to obtain liquidity to restructure the Center and help fund any proposed plan of reorganization.

Accounting, Audit and Monthly Operating Reports

The Trustee's consultants employed to assist with reconciliation of the last fiscal year's books and records and with current financial management continue to work with EisnerAmper

to reconcile accounting data, which is substantially complete at this time, and to serve the chief financial officer function at the Center. The monthly operating reports for October 2018 through February 2019 have been filed. We anticipate filing the March 2019 in the next week.

HCFFA Loan

On behalf of the Center, I have drawn down a total of \$630,000 on the \$750,000 HCFFA line of credit for necessary expenses related to the Center.

Status of NJ Primary Care Associates Action

We continue to monitor the docket in this case. A settlement conference was held with Judge Bongiovanni on April 26, 2019, which was continued to June 3, 2019. A docket entry on that date indicates that the parties are to report back to the Court electronically no later than 6/28/19 with a written status update regarding settlement discussions. We remain hopeful the Center may receive much needed funds if a settlement is reached.

Should Your Honor require any further information, please do not hesitate to contact my office.

Respectfully submitted,

/s/ Stephen V. Falanga

Stephen V. Falanga

cc: All Parties Registered for ECF Service
Beverly Chrisp (via email)
Eugene Baucum (via email)